

Instructions for Universal Service Fund Data Item Sheet

Fiscal Reporting for Universal Service Fund (USF)

Instructions:

- 1) Please provide the USF data item identified on the Data Item Sheet by September 1, 2017.
- 2) The USF data item should be submitted electronically to the Finance and Internal Operations Office, Bureau of Grants Management using the Internet application.

Questions regarding these instructions or the End of Year School Report (ED001) should be referred to Mark Stange at (860) 713-6462 or mark.stange@ct.gov.

Overview:

Many Connecticut school districts were approved in 2016-17 to receive funding subsidies for telecommunication and technology services under a Federal program called the Universal Service Fund (USF). Unlike other direct Federal grant programs or programs that pass funds through the State Department of Education, the USF subsidizes eligible local telecommunication and technology costs in some very unique ways. First, the program does not operate through prepayment grants to school districts. Instead it provides for subsidies to the school district/municipality's service provider who, in turn, passes those savings onto local education agencies in the form of refunds or, in some cases, credits on future billings. An additional intricacy is that the expenditures for eligible services may have occurred in the prior fiscal year and are likely to have been paid in full and reported as a local expense on the ED001.

We have discussed the implications of USF funding at length with Federal officials and our own auditors to provide guidance to school districts who must now address USF funding and its impact on the End of Year School Report (ED001) expenditure reporting structure. These instructions detail how to account for expenditures impacted by USF funding. In developing these guidelines, we were torn between what we believed to be a more technically correct method for accounting and a simpler approach that would minimize the need to monitor expenditures from one fiscal period with rebates and/or credits not realized until subsequent periods. At this time, we have opted for the simpler approach that should work better for you. We believe we can account for any shortcomings in this method by monitoring the value of USF proceeds to Connecticut school districts on a global basis through the issuing Federal agents and the Universal Service Fund Data Item worksheet.

Based on the "net reporting" methodology listed under ED001 Reporting Guidelines on the following page for reporting eligible Universal Service Fund (USF) services/expenditures on the ED001, the Department needs one USF data item from school districts in order to represent the USF program in Connecticut's collective picture of local, state and federal source education services.

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ED001 Reporting Guidelines:

Below are the guiding points regarding End of Year School Report (ED001) expenditure reporting and the Universal Service Fund eligible services/equipment. Depending on the specific arrangements agreed to by the board of education, municipality and service provider, the USF program could affect only a few, or many, areas of the ED001. The ED001 Manual, along with these USF ED001 reporting guidelines, should allow school districts to determine which areas will be affected.

Our guiding philosophy is that the ED001 has been, and continues to be, an expenditure report. It does not measure revenues, credits or discounts. In addition, we have chosen to keep the reporting burden of the school district to a minimum. With that, we have developed the following guidelines for ED001 reporting:

- For the 2016-17 ED001, report the net expenditures for USF eligible services/equipment.

Net expenditures are the district/municipality's USF program costs net of service provider refunds or account credits. If the school district/municipality chose to be billed for the discounted costs by the service provider, then those are the net expenditures.

- USF refunds or credits received will be recognized in the year they are received from the service provider.

A service provider's refund or credit received by a school district/municipality is netted against expenditures. **However, if the school district/municipality expends the refund on additional educational services, then it is not netted against expenditures, but it is recorded as an expenditure. In addition, a credit that frees up appropriated funds which are then expended on education are recorded as an expenditure.**

- The school district/municipality is required to maintain a certain level of education effort for various education programs. Using a "net reporting" methodology for USF eligible costs, any expenditures eligible under the applicable definition of education effort will be lower than they would otherwise be due to the USF program. Additional local tax source expenditures may be required by the school district/municipality for various education program purposes.